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UNICEF Strategic Plan: updated financial estimates, 2018–2021

Summary

A four-year financial framework, which forms part of the UNICEF Strategic Plan, is presented in accordance with Executive Board decisions 2000/3, 2013/20 and 2017/14. The financial plan is reviewed and revised annually on a rolling basis.

For 2018, total income[1] is projected to reach $5.7 billion, an increase of 8 per cent compared with the approved resource framework of the Strategic Plan, 2018–2021.The annual growth in income in the period 2019–2021 is projected to be 2, 6 and 5 per cent, respectively. Total 2018 expenditure is estimated at $6.1 billion, exceeding the forecast income by $477 million. While the deficit will be financed from cash balances, UNICEF will continue to maintain prudent liquidity levels.

This financial framework of income and expenditure estimates provides a basis for determining the regular resources programme submissions to be approved in 2019. Allocations of regular resources for country programmes during the period will be managed through the system for the allocation of regular resources for programmes, as agreed by the Executive Board in its decisions 2008/15 and 2013/20.

UNICEF recommends that the Executive Board approve the framework of planned financial estimates for the period 2018–2021 and also approve the preparation of programme expenditure submissions to the Executive Board of up to $710 million from regular resources in 2019, subject to the availability of resources and the continued validity of these planned financial estimates. A draft decision is included in section III.

* E/ICEF/2018/19.

[1] Defined as contributions received from Governments, inter-organizational arrangements, Global Programme Partnerships and intergovernmental organizations and revenue from the private sector.

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Introduction

1. A four-year financial plan forms part of the UNICEF Strategic Plan in accordance with Executive Board decisions 2000/3, 2013/20 and 2017/14 and is reviewed and revised annually on a rolling basis.

2. The financial plan is preceded by a review of the financial performance of UNICEF in the prior year. The purpose of the review is to provide key high-level information on income, expenditure and liquidity as a baseline to the financial plan.

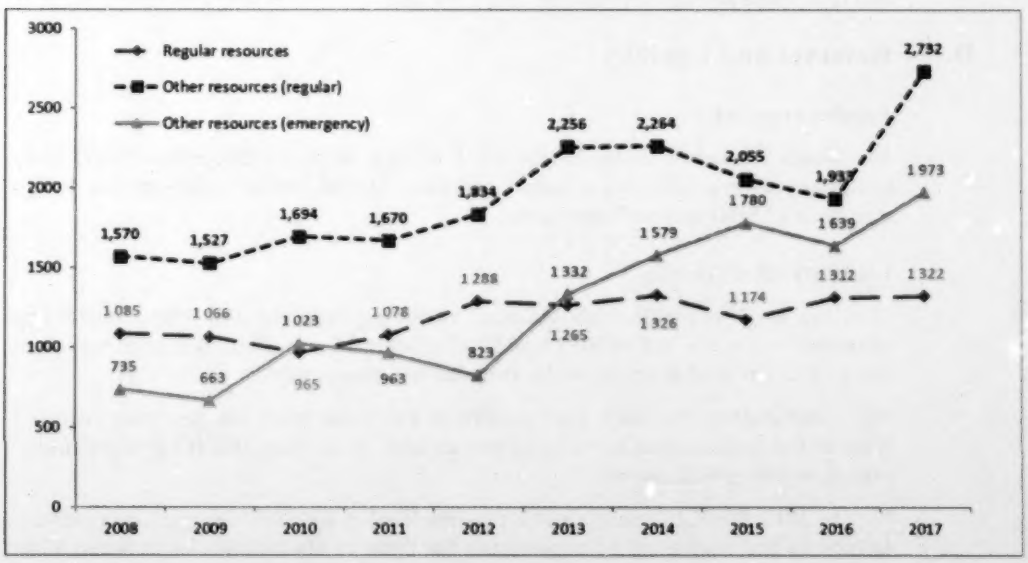
I. Financial review, 2017

A. Income

3. Total income increased by 23 per cent in 2017, to $6,029 million compared with 2016. The primary income source remains voluntary contributions from Governments, inter-organizational arrangements, Global Programme Partnerships, private organizations and individuals, which accounted for 98 per cent of the total. The remaining 2 per cent was generated by interest income ($64 million), procurement services for partners ($46 million), warehouse good transfers ($7 million), miscellaneous activities ($13 million) and royalties and sales of greeting cards and products ($8 million).

4. Regular resources income (non-earmarked or "core" funds) was $1.32 billion in 2017, an increase of 1 per cent compared with 2016 ($1.31 billion). Other resources (regular) contributions were $2.73 billion and other resources (emergency) were $1.97 billion. Increases in other resources (emergency) funds of $334 million and increases in other resources (regular) of $800 million, resulted in overall increase of other resources of $1,134 million, or 32 per cent compared with 2016.

Figure I
UNICEF income 2008–2017
(in millions of United states dollars)



5. The increase in other resources (emergency) income of 20 per cent over 2016 is attributed primarily to funding received for support to new refugees in Bangladesh; new internal displacements in the Kasai region of the Democratic Republic of the Congo; the risk of famine in north-eastern Nigeria, Somalia and South Sudan; and the crisis in Yemen. Core resources accounted for 22 per cent of total income in 2017 compared with 26 per cent in 2016.

6. In 2017, a total of 145 Governments contributed resources to UNICEF. Total public-sector contributions (from Governments, intergovernmental organizations and inter-organizational arrangements) were $4.4 billion, 30 per cent higher than planned, and 33 per cent more than in 2016. Private-sector contributions (from National Committees, individual donors, non-governmental organizations and foundations) of $1,465 million were 3 per cent lower than planned and 1.5 per cent higher than in 2016.

B. Expenditure

7. Total expenditures amounted to $5.9 billion in 2017, an increase of 11 per cent over 2016. Programme and development effectiveness represented 90 per cent of total UNICEF expenditure in 2017. Further detailed analysis of 2017 financial performance is provided in chapters IV and V of the UNICEF Financial Statements for 2017 and in the annual report for 2017 of the Executive Director of UNICEF, presented at the 2018 annual session of the Executive Board.

C. Trust funds

8. Trust funds are established mainly for services carried out on behalf of Governments and other organizations for the procurement of vaccines and other commodities essential for the well-being of children.

9. Procurement services receipts amounted to $1.8 billion in 2017, an increase of 13 per cent compared with 2016. This increase reflects continuing opportunities for UNICEF to influence the global market for vaccines and other child-related products and to achieve savings for partners and UNICEF.

D. Reserves and liquidity

Funded reserves

10. Funded reserves amounted to $574 million as at 31 December 2017. They comprise reserves for procurement services, capital assets, after-service health insurance (ASHI) and staff separation.

Liquidity after reserves

11. The total available cash balance, excluding reserves and after considering commitments, at the end of 2017 was $2.45 billion: $617 million of regular resources and $1.84 billion of other resources (regular and emergency).

12. Contributions for both other resources and trust funds are generally received prior to the implementation of programmes and, in addition, UNICEF signs multi-year agreements with donors.

13. In 2017, UNICEF maintained a prudent level of liquidity for regular resources, defined as the equivalent of expenditure for three to six months, or between $300

million to $600 million. This is consistent with the general practices of non-profit organizations and the United Nations community.

II. Planned financial estimates for the period 2018–2021

14. This section presents the projections of UNICEF financial resources for the period 2018–2021. It comprises income and expenditure projections and the resulting cash balances for regular resources and other resources. Estimates for trust funds are also included. In line with decision 2013/20, the presentation of the planned financial estimates is aligned with the format of the integrated resource plan as presented in the UNICEF integrated budget, 2018–2021 and presents the planned use of resources grouped by the harmonized cost classification categories.

15. The financial projections provide a financial framework for the yearly phasing of estimated regular resources expenditure. In particular, they provide a financial context for future programme submissions to be made to the Executive Board.

A. Income

16. Total resources income is forecast to decrease by 6 per cent in 2018 compared with 2017; the strong performance in 2017 was due to significant grants to Yemen and for the Syrian refugee crisis. In 2019, 2020 and 2021, total resources income is projected to increase by 2, 6 and 5 per cent, respectively.

17. Other resources income is projected to decline by 9 per cent in 2018 compared with 2017. Other resources income is estimated to remain stable in 2019 and to increase slightly in the years 2020 and 2021 by 5 and 4 per cent, respectively. Income estimates are provided in table 1 (see annex).

18. The share of private-sector contributions to UNICEF total income is expected to increase in the medium term, from 24 per cent in 2017 to 34 per cent in 2021.

19. Regular resources income is targeted to increase by 6 per cent in 2018 compared with 2017, primarily through increased investment in income generation activities targeted at private-sector donors.

20. Regular resources income is targeted to continue to grow marginally in 2019, by 8 per cent in 2020 and by 6 per cent in 2021. Growth in private-sector fundraising is the main source of projected growth in regular resources. Estimates of regular resources income are provided in table 1.

B. Expenditure

21. Total expenditure in 2018 is expected to increase by 4 per cent compared with 2017. The smooth implementation of ongoing programmes will be facilitated by financing the deficit with cash balances.

22. As shown in table 2 (see annex), total estimated annual expenditure during the planning period will exceed the projected annual income. The resulting deficit will be funded from the balance accumulated in prior years, when actual income surpassed planned amounts.

Regular resources expenditure

23. The main components of estimated regular resources expenditure for the period 2018–2021 are: (a) development activities comprising (i) programmes and (ii) development effectiveness, which account for 76.9 per cent of the total use of regular

resources; (b) management activities, which account for 5.7 per cent; (c) United Nations development coordination, which account for 0.6 per cent and (d) special-purpose activities, including private-sector fundraising, which account for 16.8 per cent.

Programmes

24. Regular resources and thematic funds directly support the achievement of programme results by enabling longer-term planning and lowering transaction costs. It is critical for UNICEF and its partners to continue efforts to ensure a flexible and predictable funding base.

25. Against the income projections presented in table 1, UNICEF intends to gradually increase the allocation of regular resources for programme assistance for the years 2018–2021. Allocations of regular resources to country programmes will be managed according to the modified system for allocation, approved by the Executive Board in its decisions 2008/15 and 2013/20, which favours countries in greatest need.

26. At the beginning of 2018, regular resource expenditures for ongoing country programmes were estimated at $4.46 billion. The amount of regular resources for programmes proposed to the Executive Board for approval in 2018 totals $1.75 billion for programme cycles that start in 2019.

27. For 2019, the estimated amount of regular resources for programme proposals to be approved by the Executive Board is $710 million for programme cycles that start in 2020. The level of planned programme expenditure will be continuously reviewed and adjusted on the basis of updated information on projected income.

Institutional budget

28. The budget for development effectiveness, United Nations development coordination, management and special purpose (capital investment) costs is referred to as the institutional budget. It is funded from regular resources, other resources and cost recovery.

29. At its second regular session of 2017, the Executive Board approved a four-year institutional budget of $2.455 billion for the period 2018–2021 to support the UNICEF Strategic Plan, 2018–2021.

30. Given the recent General Assembly resolution 72/279 requesting the doubling of the current United Nations Development Group cost-sharing arrangement among United Nations development system entities, UNICEF has included an indicative provision of an additional $13 million in its institutional budget to meet the cost-sharing requirement set out in the resolution. Further discussions among the United Nations development system entities are planned in the coming months to develop and formalize a revised cost-sharing framework, which is expected to be in place effective 2019.

Cost recovery

31. In line with the approved cost-recovery methodology, cost recovery from other resources will fund the management and special purpose (capital investment) activities of the institutional budget.

32. In 2017, the actual institutional budget funding split was 38 per cent from regular resources, 50 per cent from cost recovery and 12 per cent from other resources. Actual cost recovery in 2017 was $295 million compared with a planned amount of $275 million. The additional cost recovery was used to fund the institutional budget

("management" and "special purpose–capital investment" cost-classification categories), reducing the amount of regular resources used to fund the institutional budget.

33. For the period 2018–2021, other resources expenditure is projected to increase by $1.2 billion compared with the other resources expenditure approved in the integrated budget, 2018–2021, and it is estimated that this will generate an additional $90 million in cost recovery, which will fund the institutional budget.

34. The proposed use of cost recovery is reflected in table 5 (see annex).

Other resources expenditure

35. The projections of programme assistance expenditure funded by other resources, presented in table 5, reflect efforts to accelerate implementation. Other resources expenditure in 2018 is projected to be 9 per cent greater than other resources income, and this trend will continue, although the gap will decrease to 2 per cent in year 2021. The income-expenditure gap will be financed from the balance of other resources carried over from previous years.

C. Funded reserves

36. The two largest funded reserves are for post-service staff liabilities. These reserves are: the separation fund for repatriation costs and the ASHI fund. The total amount of funding for these reserves is projected to increase from $574 million in 2017 to $772 million in 2021, as shown in table 3 (see annex).

37. Following discussions with the Executive Board and the implementation of the International Public Sector Accounting Standards, which require the full reporting of after-service staff liabilities in corporate financial statements, UNICEF is implementing a robust funding strategy for these liabilities. The strategy will ensure that, over time, the reserve for these liabilities is accumulated from the funding sources to which post costs are correctly attributed. UNICEF will continue to monitor the effectiveness of and make appropriate adjustments to the strategy as financial variables change.

D. Fund balance

38. The regular resources cash balance is projected to be $509 million at year end 2018, which is sufficient to cover four months of estimated disbursements. The regular resources cash balance is used as working capital to mitigate the liquidity risk related to fluctuations in cash inflows. Unlike other resources, which are allocated to programmes when cash is received from a donor, regular resources allocations for country programmes are made in November for the following year, before regular resources funds are received. It is therefore critical to have working capital to start programme implementation while awaiting cash from donors. The best practice among development organizations is to maintain working capital sufficient for three to six months of expenditures. In the case of UNICEF, those levels would translate to between $300 million and $600 million. The projected working capital falls within that range, reacning $422 million by 2021, as indicated in table 3 (see annex).

39. As part of efforts to accelerate programme implementation, other resources expenditure is projected to be greater than income for every year of the planning period 2018–2021. Therefore, the other resources available balance is projected to decrease from $1.37 billion at year end 2017 to $214 million in 2021.

III. Draft decision

40. UNICEF recommends that the Executive Board adopt the following draft decision:

The Executive Board

1. *Takes note* of the planned financial estimates for the period 2018–2021 as contained in document E/ICEF/2018/AB/L.4 as a flexible framework for supporting UNICEF programmes;

2. *Approves* the integrated resources framework of planned financial estimates for the period 2018–2021, and approves the preparation of country programme expenditure submissions to the Executive Board of up to $710 million from regular resources in 2019, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Requests* UNICEF to provide annual updates to the Executive Board on the progress of funding its reserves for staff liabilities.

Annex

Planned financial estimates tables[2]

1. UNICEF income estimates
2. Integrated resources plan: regular resources and other resources
3. UNICEF planned financial estimates: regular resources
4. Regular resources: yearly phasing of estimated expenditures for programmes
5. UNICEF planned financial estimates: other resources
6. UNICEF planned financial estimates: trust funds (procurement services activities)

[2] Rounding differences may impact totals.

Table 1
UNICEF income estimates
(in millions of United States dollars)

				Plan		
	Plan 2017	*Actual 2017[a]*	*Estimate 2018*	*2019*	*2020*	*2021*
Regular resources						
Governments	512	521	526	531	548	567
Global Programme Partnerships	-	-	-	-	-	-
Private sector	685	663	745	853	959	1 042
Other income	115	139	125	135	135	135
Total — regular resources	**1 312**	**1 322**	**1 396**	**1 519**	**1 642**	**1 744**
Growth percentage	0%	1%	6 %	9 %	8 %	6 %
Other resources						
Regular						
Governments	1 083	1 295	1 192	1 239	1 300	1 344
Global programme partnerships	165	318	222	222	224	242
Private sector	730	619	674	824	939	1 019
Inter-organizational arrangements	304	501	354	264	274	284
Subtotal — programmes	**2 281**	**2 732**	**2 442**	**2 548**	**2 737**	**2 889**
Growth percentage	18%	41%	(10)%	4 %	7 %	6 %
Emergencies						
Governments	1 235	1 605	1 436	1 477	1 512	1 548
Global programme partnerships	-	4	-	-	-	-
Private sector	90	184	109	100	100	100
Inter-organizational arrangements	114	180	291	140	140	140
Subtotal — emergencies	**1 439**	**1 973**	**1 837**	**1 717**	**1 751**	**1 788**
Growth percentage	(12)%	20%	(7)%	(7)%	2 %	2 %
Total — other resources	**3 721**	**4 705**	**4 279**	**4 265**	**4 488**	**4 677**
Growth percentage	4%	32%	(9)%	(0)%	5 %	4 %
Total income	**5 033**	**6 027**	**5 675**	**5784**	**6130**	**6 421**
Growth percentage	3%	23%	(6)%	2 %	6 %	5 %

[a] Actual growth percentage in 2017 is in comparison to 2016 actual.

Table 2
Integrated resources plan: regular resources and other resources
(in millions of United States dollars)

				Plan		
	Plan 2017	*Actual 2017*	*Estimate 2018*	*2019*	*2020*	*2021*
1. Resources available						
Opening balance	2 046	1 909	2 009	1 512	992	719
Income						
Contributions	4 918	5 888	5 550	5 649	5 995	6 286
Other income	115	139	125	135	135	135
Total income	5 033	6 027	5 675	5 784	6 130	6 421
Adjustment	(19)	(20)	(20)	(20)	(20)	(20)
Total available	**7 060**	**7 916**	**7 664**	**7 276**	**7 102**	**7 120**
2. Use of resources						
A. Development						
A.1 Programmes	4 482	5 148	5 256	5 340	5 419	5 490
Country	*4 292*	*4 976*	*4 997*	*5 080*	*5 166*	*5 23[illegible]*
Global and regional	*190*	*172*	*259*	*260*	*253*	*2[illegible]*
A.2 Development effectiveness	156	149	174	179	182	[illegible]
Subtotal	**4 638**	**5 297**	**5 430**	**5 519**	**5 601**	**5 6[illegible]**
B. United Nations development coordination	**16**	**7**	**12**	**17**	**17**	**[illegible]**
C. Management	**354**	**337**	**385**	**400**	**403**	**[illegible]**
D. Special purpose						
D.1 Capital investments	24	40	19	20	20	[illegible]
D.2 Private-sector fundraising	172	155	223	245	259	[illegible]
D.3 Other	56	71	83	83	83	[illegible]
Subtotal	**252**	**266**	**325**	**348**	**363**	**3[illegible]**
Institutional budget (A.2+B+C+D.1)	**550**	**533**	**590**	**616**	**622**	**6[illegible]**
Integrated budget (A+B+C+D)	**5 262**	**5 907**	**6 152**	**6 284**	**6 383**	**6 4[illegible]**
Closing balance of resources	**1 798**	**2 009**	**1 512**	**992**	**719**	**[illegible]**
Funded reserves						
After-service health insurance	455	485	523	564	609	[illegible]
Separation and termination liabilities	88	84	90	97	104	[illegible]
Field office accommodation	6	3	2	2	1	[illegible]
Procurement services	2	2	2	2	2	2
Total	**551**	**574**	**617**	**665**	**716**	**[illegible]**

Table 3
UNICEF planned financial estimates: regular resources
(In millions of United States dollars)

				Plan		
	Plan 2017	*Actual 2017*	*Estimate 2018*	*2019*	*2020*	*2021*
1. Resources available						
Opening balance	673	673	637	509	423	408
Income						
Contributions	1 197	1 183	1 271	1 384	1 507	1 609
Other income	115	139	125	135	135	135
Total income	1 312	1 322	1 396	1 519	1 642	1 744
Adjustment	(19)	(20)	(20)	(20)	(20)	(20)
Total available	**1 966**	**1 975**	**2 013**	**2 008**	**2 045**	**2 132**
2. Use of resources						
A. Development						
A.1 Programmes	979	944	1 018	1 065	1 112	1 164
Country	*926*	*890*	*960*	*1 010*	*1 060*	*1 110*
Global and regional	*53*	*54*	*58*	*55*	*52*	*54*
A.2 Development effectiveness	129	113	141	147	148	153
Subtotal	**1 108**	**1 057**	**1 159**	**1 212**	**1 260**	**1 317**
B. United Nations development coordination	**6**	**6**	**6**	**10**	**10**	**10**
C. Management	**98**	**73**	**80**	**92**	**93**	**105**
D. Special purpose						
D.1 Capital investments	5	9	5	6	6	7
D.2 Private-sector fundraising	129	123	169	182	185	189
D.3 Other	56	71	83	83	83	83
Subtotal	**190**	**203**	**257**	**271**	**274**	**279**
Institutional budget (A.2+B+C+D.1)	**238**	**201**	**232**	**255**	**257**	**275**
Integrated budget (A+B+C+D)	**1 402**	**1 339**	**1 502**	**1 585**	**1 637**	**1 711**
Closing balance of resources	**564**	**636**	**511**	**423**	**408**	**421**
Funded reserves						
After-service health insurance	455	485	523	564	609	658
Separation and termination liabilities	88	84	90	97	104	111
Field office accommodation	6	3	2	2	1	1
Procurement services	2	2	2	2	2	2
Total	**551**	**574**	**617**	**665**	**716**	**772**

Table 4
Regular resources: yearly phasing of estimated expenditures for programmes
(in millions of United States dollars)

	2018	*2019*	*2020*	*2021*	*Beyond 2021*	*Total recommendations*
Programme						
1. Country programmes approved in prior years	**841**	**674**	**605**	**411**	**245**	**4 467**
2. New country programmes to be submitted to 2018 Executive Board sessions		**213**	**224**	**235**	**404**	**1 750**
3. New country programmes to be prepared for submission to 2019 Executive Board sessions			**104**	**110**	**282**	**710**
4. New country programmes to be prepared for submission to future Executive Board sessions				**224**	**768**	**1 216**
5. Amount set aside	**67**	**71**	**75**	**78**		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	**2**	**2**	**2**	**2**		
Subtotal	**910**	**960**	**1 010**	**1 060**		
7. Additional emergency requirements	**50**	**50**	**50**	**50**		
Subtotal	**960**	**1 010**	**1 060**	**1 110**		
8. Global and regional programmes	**58**	**55**	**52**	**54**		
Total: programmes	**1 018**	**1 065**	**1 112**	**1 164**		

Table 5
UNICEF planned financial estimates: other resources
(in millions of United States dollars)

				Plan		
	Plan 2017	*Actual 2017*	*Estimate 2018*	*2019*	*2020*	*2021*
1. Resources available						
Opening balance	1 374	1 236	1 373	1 003	568	311
Income						
Contributions	3 721	4 705	4 279	4 265	4 488	4 677
Total income	3 721	4 705	4 279	4 265	4 488	4 677
Total available	**5 095**	**5 941**	**5 652**	**5 268**	**5 056**	**4 988**
2. Use of resources						
A. Development						
A.1 Programmes	3 503	4 205	4 237	4 275	4 306	4 326
Country	*3 366*	*4 086*	*4 037*	*4 070*	*4 106*	*4 121*
Global and regional	*137*	*118*	*200*	*204*	*200*	*205*
A.2 Development effectiveness	27	36	32	32	34	34
Subtotal	**3 530**	**4 240**	**4 269**	**4 307**	**4 340**	**4 360**
B. United Nations development coordination	10	1	6	6	6	6
C. Management[a]	**257**	**264**	**305**	**308**	**310**	**311**
D. Special purpose						
D.1 Capital investments[a]	19	31	14	14	14	14
D.2 Private-sector fundraising	43	32	54	64	74	81
D.3 Other	–	–	–	–	–	–
Subtotal	**62**	**63**	**68**	**78**	**88**	**95**
Institutional budget (A.2+B+C+D.1)	**313**	**332**	**357**	**360**	**364**	**365**
Integrated budget (A+B+C+D)	**3 859**	**4 568**	**4 648**	**4 699**	**4 744**	**4 773**
Closing balance of resources	**1 236**	**1 373**	**1 004**	**569**	**312**	**215**

[a] Amounts reflect the use of other resources cost recovery to fund management and capital investments.

Table 6
UNICEF planned financial estimates: trust funds (procurement services activities)
(in millions of United States dollars)

			Plan		
	Actual 2017	*Estimate 2018*	*2019*	*2020*	*2021*
1. Opening balance	764	1 072	1 072	1 072	1 072
2. Receipts	1 818	1 553	1 705	1 666	1 667
3. Disbursements	1 510	1 553	1 705	1 666	1 667
4. Closing balance	1 072	1 072	1 072	1 072	1 072

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Private Fundraising and Partnerships: Financial report for the year ended 31 December 2017

Summary

This document presents the financial and non-financial results achieved by the UNICEF Private Fundraising and Partnerships Division, together with the National Committees for UNICEF and country offices that generated resources and results for children from the private sector, for the year ended 31 December 2017.

Total private sector revenue for the year met the Private Fundraising and Partnerships Plan target for 2017 of $1.47 billion, of which $663 million is regular resources (RR) and $803 million is other resources. The $663 million in RR marks the highest-ever RR revenue generated in a given year and is $40 million more than the previous year. This is primarily the result of intensive efforts focused on maintaining and increasing individual donors to UNICEF, of whom there were 8.2 million in 2017, including 5.5 million regular donors. Furthermore, UNICEF benefits from a diverse portfolio of donors, including foundations, wealthy individuals, membership groups and corporate donors.

The Division continued to work with National Committees and country offices to engage with the private sector to advance children's rights. In 2017, 15 National Committees and 34 country offices were engaging business partners on their impact on children's rights. At the same time, hundreds of companies mainstreamed the impact on children into their business objectives, supply chains and advertising. In November 2017, the inaugural meeting of the UNICEF International Council was held in New York, bringing together many of the organization's most important and influential private partners to recognize their significant contribution to UNICEF, and providing a platform to learn and achieve greater results for children.

* E/ICEF/2018/19.

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The Division continued to maximize the power of partnerships and collaborative efforts with the corporate sector and foundations, strengthening its engagement through "priority integrated partnerships" with companies that have been identified as being critical to achieving results for children in the context of the UNICEF Strategic Plan, 2018–2021.

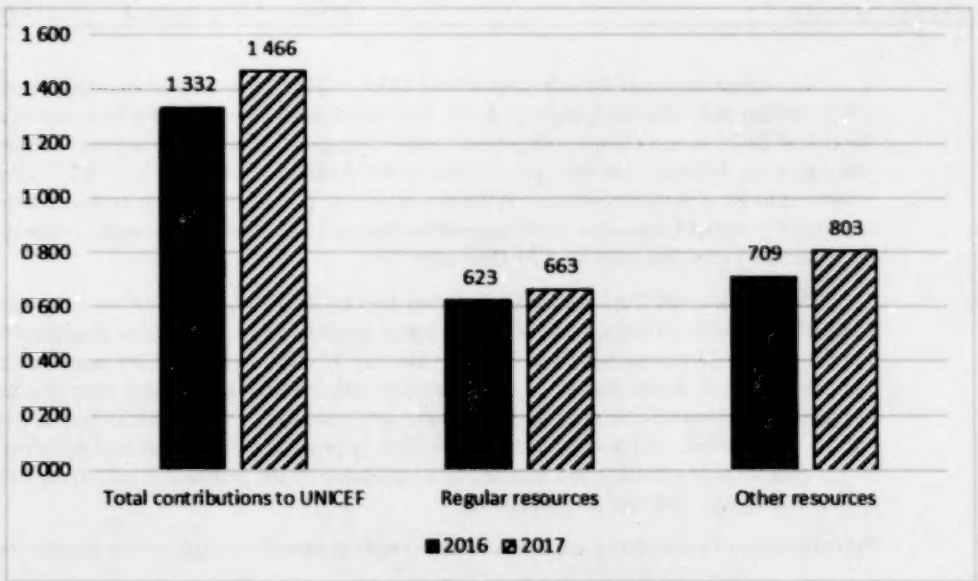
I. Overview of the 2017 results

1. The Private Fundraising and Partnerships Division (PFP or "the Division") aims to achieve results for children by maximizing private fundraising and advocacy carried out by UNICEF around the world. To carry out this mission, PFP coordinates fundraising activities and non-fundraising partnerships with the private sector in at least 78 countries through the 34 National Committees for UNICEF, 21 UNICEF country offices with structured fundraising activities and 23 other country offices that raise funds through the UNICEF global giving online platform. In addition, PFP manages strategic relationships with the National Committees and implements strategies in child rights advocacy, communication and brand positioning in National Committee countries through a range of partnerships, including with the media, corporations, civil society and young people.

2. In 2017, total private sector revenue was $1.47 billion. Of this total, contributions to regular resources (RR)represented $663 million – the highest amount ever generated from the private sector in any given year – and $803 million was received in other resources (OR) contributions, of which $619 million was other resources regular (ORR) and $184 million other resources emergency (ORE).

Figure

Total contributions to UNICEF, 2016–2017
(in millions of United States dollars)



3. The net private sector surplus was $1,293.6 million, which is in line with the approved revised budget of $1,291.1.[1] This amount is after deducting PFP expenses, including licensing costs funded by the PFP budget ($141.3 million), as well as deducting country office private sector direct fundraising expenses ($33.1 million) and private sector engagement costs funded by earmarked resources ($0.2 million), and after accounting adjustments.

[1] The budgeted amount of $1,303.3 million for 2017, which was approved by the Executive Board in decision 2017/2, was amended in decision 2017/16 by approving an additional expenditure allocation of $12.2 million which reduced the 2017 revised budget to $1,291.1 million.

Table 1

Private sector revenue and expenses: 2017 and 2016

(in millions of United States dollars)	*2017 actual*	*2017 revised budget*	*2016 actual*
Private sector revenue			
Private sector revenue – regular resources	662.5	665.0	623.2
Private sector revenue – other resources	802.8	820.0	708.9
Total private sector revenue	**1 465.3**	**1 485.0**	**1 332.1**
Private Fundraising and Partnerships (PFP) budget			
Special purpose expenses	122.8	128.2	105.9
Management expenses	14.8	15.9	13.8
Development effectiveness expenses	3.4	3.8	3.2
Licensing related expenses	0.3	0.7	0.2
Total expenses financed from PFP budget	**141.3**	**148.6**	**123.1**
Country office direct fundraising costs	**33.1**	**43.3**	**27.9**
Private sector engagement earmarked resources	**0.2**	**2.0**	**0.7**
Non-operating items			
Impairment	5.4	0.0	2.1
Foreign exchange (gains)/losses	(8.3)	0.0	(4.7)
Total non-operating items	**(2.9)**	**0.0**	**(2.6)**
Net private sector surplus	**1 293.6**	**1 291.1**	**1 182.9**

4. Non-operating items include impairment ($5.4 million) and foreign exchange gains ($8.3 million) that were not budgeted. Some receivables were considered for impairment at the end of 2017, in accordance with prudent accounting principles. The impairment amount was due to the differences in the types of funds (RR/OR) actually remitted to UNICEF when compared to the type of receivables previously recorded. The exchange gain arose from the settling of National Committee 2016 receivables during 2017 at more favourable exchange rates than the prevailing rates as at 31 December 2016.

5. The Division and the National Committees aligned their strategic plans for the period 2018–2021 with the priority areas of private sector fundraising, private sector engagement and the Global Communication and Public Advocacy Strategy. The Division continues to maintain rigorous oversight of its activities through regular audits and strengthened forecasting, monitoring and reporting of revenue and expenses with regular review of risk register and business continuity practices, as well as by providing procedures and guidelines on governance best practices and monitoring compliance by the National Committees with cooperation agreements and set guidelines.

Private sector fundraising contributions – regular resources and other resources

6. The strategy of maintaining a strong focus on growing RR through investment and support to individual giving continues to be successful. As mentioned above, RR increased by $40 million from 2016 to 2017. Pledge contributions are regular monthly donations made by individual donors and are the most reliable source of private sector revenue and RR. In addition, individual donors make occasional donations, often in response to rapid-onset emergencies. In 2017, more than 1 million new pledge donors were recruited, bringing the total number of regular givers to 5.5 million on 31 December 2017. Gross revenue from pledge donors reached $778 million in 2017, its highest level ever, an increase of 19 per cent from the previous year. As such, pledge giving continues to be a priority for PFP, the National Committees and the country offices with a structured private sector fundraising programme.

Another critical driver of growth is through PFP investment funds and reinvestment of revenue generated nationally by National Committees and country offices. Investment funds are used to accelerate growth in private sector revenue and, in particular, growth in the RR revenue generated from pledge and legacy giving by individuals.

7. The OR revenue of $803 million was slightly lower than the 2017 revised budget of $820 million. In 2017, the revenue recognition policy was revised and this change in accounting principles affected OR revenue for 2017 by approximately $20 million compared with budgeted amounts. If the revenue recognition policy had remained unchanged from the previous year, private sector OR revenue would have reached $823 million in 2017.

8. In 2017, contributions from companies reached $183 million in gross revenue. An additional $35 million (24 per cent) was received from more than 30,000 companies, ranging in size from sole proprietorships to global companies that contributed the majority of the revenue. The UNICEF strategy is to encourage greater integration between corporate fundraising and individual giving. Concurrently, companies' customers and staff are engaged in the relationship with UNICEF and have contributed to the increase in the number of pledge donors. In 2017, a total of 74,000 new individual pledge donors were acquired through the relationships with corporate partners.

9. Some of the most important corporate relationships in 2017 were with Amadeus, Barça Foundation, Cartier Philanthropy, Change for Good®, Garnier, H&M Foundation, ING, "La Caixa" Banking Foundation, the LEGO Foundation and LEGO Group, Les Mills International, Louis Vuitton Malletier, the Takeda Pharmaceutical Company Limited, Unilever and the United Internet for UNICEF Foundation.

10. During 2017, PFP collaborated with the Office of Innovation to mainstream the work on innovation partnerships and businesses contributing their core assets[2] to deliver results for children. At the global level and with support from the National Committees, UNICEF engaged in 15 partnerships that provided innovative data initiatives with data, or data science, or both, software and design expertise.

11. Financial contributions from major donors reached a total of $55 million in 2017. These include a first-time $12 million gift from an individual donor from the United Arab Emirates to support the work of UNICEF in polio eradication; $4.4 million from an individual donor in Germany to support humanitarian emergencies and the programme in Liberia; and $5 million from two anonymous donors in Finland to support child protection work in the Plurinational State of Bolivia and Viet Nam and the famine crises in Africa.

12. Following a multi-country feasibility study conducted in 2016 on a global recognition and engagement platform for major donors, UNICEF held the Global Philanthropy Symposium in New York in November 2017, during which the UNICEF International Council was launched as a global recognition programme for the top 1 per cent of key influencers and donors. The UNICEF International Council provides a platform for these partners to share their experiences, help UNICEF to achieve greater change for children, and build a community of key influencers and philanthropists for children's rights.

13. Revenue from foundations and membership-based organizations was $409 million in 2017. A total of $173 million was received from, among others, the Bill & Melinda Gates Foundation in new funding for polio and to accelerate the scale-up of early childhood and maternal nutrition interventions through regional platforms; the Educate a Child initiative of the Education Above All Foundation; the Rotary Foundation of Rotary International for social mobilization activities for polio eradication; and LDS Charities (Latter-day Saints Charities) to support scale-up of early childhood development services for children affected by the South Sudan regional crisis in the Democratic Republic of the Congo, Kenya, Sudan

[2] Core assets refer to non-financial support received from businesses, such as skills, expertise, technology, networks and marketing capabilities.

and Uganda. Additionally, $11 million was received from Alwaleed Philanthropies, the Kuwait Foundation for the Advancement of Sciences and Fondation Botnar.

Revenue from licensing of cards and products

14. In 2017, revenue from licensing was $7.7 million and was mostly generated in the National Committees. The net revenue ratio for licensing was the same as in 2016, at 96 per cent.

15. The licensing partners in 2017 included Belarto, Groupe Editor, Forletter, Hallmark, Doudou et Compagnie and AUZOU, which support UNICEF by providing flexible, unrestricted funds to reach vulnerable children through programmes that contribute to child well-being.

Table 2

Licensing revenue

(*in millions of United States dollars*)

				Increase/decrease			
				2017 actual vs. budget		*2017 vs. 2016*	
	2017 Actual	*2017 Budget*	*2016 Actual*	$	%	$	%
Licensing gross revenue	7.7	8.9	5.0	(1.2)	*(13.5)*	2.7	*54.0*
Less licensing expenses of the National Committees	0.3	0.7	0.2	(0.4)	*(57.1)*	0.1	*50.0*
Net revenue	**7.4**	**8.2**	**4.8**	**(0.8)**	*(9.8)*	**2.6**	*54.2*

Private sector fundraising in programme countries

16. In 2017, private sector fundraising in middle- and high-income countries through UNICEF country offices contributed $201 million, compared to $182 million in 2016, which was a $19 million (10 per cent) increase in revenue. Of the $201 million, $35 million was contributed to global RR and $166 million to OR. Revenue from RR was $6 million more (21 per cent) than the revenue generated in 2016. Similar to 2016, UNICEF country offices in Argentina, Malaysia and Thailand made multimillion-dollar contributions to global RR, and Brazil, Chile, Colombia and Uruguay each contributed more than $1 million. Nineteen of the 21 country offices with structured private sector fundraising activities contributed to global RR in 2017.

17. Gross revenue in country offices with structured private sector fundraising operations generated $196.7 million ($35 million in RR and $161.7 million in OR) compared to $176 million in 2016 ($27.6 million RR and $148.4 million OR), which was a $21 million (12 per cent) increase in revenue. The Latin America and Caribbean region generated $74.7 million (38 per cent), the East Asia and the Pacific region raised $55.9 million (28.4 per cent), the Gulf Area subregion $53.1 million (27 per cent), the Europe and Central Asia region $6.9 million (3.5 per cent), the South Asia region $4.7 million (2.4 per cent), and the Eastern and Southern Africa region $1.4 million (0.7 per cent). The country offices without fully structured private sector fundraising operations generated an additional $4.2 million of revenue in 2017.[3]

[3] These funds were raised in Uganda ($1,041,000), Paraguay ($741,000), Ukraine ($473,000), Dominican Republic ($221,000), Kenya ($161,000), Madagascar ($157,000), Republic of Moldova ($115,000), other UNICEF country offices where contributions were below $100,000 ($327,000), and worldwide through the UNICEF online platform ($943,000).

18. The strategies pursued by country offices were in line with the Private Fundraising and Partnerships Plan, 2014–2017, with a primary focus on monthly pledge giving complemented by corporate partnerships, relationships with major foundations and individual philanthropists (principally in the Gulf Area), and emergency appeals. Country offices continued to invest in acquiring new pledge donors and the number of such donors continued to grow. By the end of 2017, country offices had 1,270,225 pledge donors, an increase of more than 123,000 donors from the previous year. The total revenue from pledges through UNICEF country offices increased from $93.5 million in 2016 to $114.5 million in 2017.

Special purpose costs

19. Special purpose costs of $122.8 million comprise investment funds ($83 million), fundraising ($20.1 million), marketing and communication ($7.1 million), private sector engagement ($5.3 million), country office support ($4.7 million), country office direct fundraising ($1.4 million) and procurement ($1.2 million).

20. In 2017, special purpose costs of $122.8 million showed a positive variance of $5.4 million (4 per cent) compared with a budget of $128.2 million, and $16.9 million (16 per cent) more than the costs for 2016; $3 million was transferred to investment funds, and $2.4 million was savings due to vacant posts and re-costing of planned post allocation. There was a higher allocation in the budget to investment funds in 2017 by almost $16 million compared to the 2016 budget.

21. Country office support spent $4.7 million out of a budget allocation of $5.3 million, with the $0.6 million (11.8 per cent) saving due to a vacant post. In marketing and communication, there were savings of $0.7 million (9 per cent) out of a budget allocation of $7.8 million, due to revised costing of planned post allocation. Procurement fully used the budget allocation of $1.2 million; and private sector engagement costs increased by $0.2 million above the approved budget of $5.1 million.

Investment fund expenses

22. To enable PFP to expand fundraising and more effectively mobilize resources for children through private fundraising activities, in its decisions 2017/2 and 2017/16 the Executive Board approved the allocation of $80 million for investment funds in 2017. These funds aim to increase the capacity of National Committees and UNICEF country offices to build a broader support base for raising funds from individuals and the corporate sector, and to test and evaluate new revenue-generating initiatives, focusing primarily on projects that offer high rates of return. In 2017, the total expenses for investment funds were $83 million, compared with the approved budget of $80 million. The $3 million in additional expenses were funded from savings in operational costs, within the authority delegated to PFP to make investments in high-performing fundraising channels to provide sustainable RR.

23. The investment funds were allocated to 129 projects for fundraising activities in 49 countries, with funds focused on the most cost-effective fundraising in the markets with the largest potential. This compares to 2016, when investments were made in 95 projects for fundraising activities in 40 countries. In 2017, $12 million of the investment budget was allocated to legacy fundraising, which offers an even greater return and high levels of RR in the medium- to long-term.

24. The investments in 2017 are projected to generate a gross return of at least $3 for every $1 invested over a 36-month period. In 2017, the projected gross return was 3.05; thus, the return on investment is anticipated to be at least $253 million in gross revenue over the next three years. The investments in funds for development programmes generated a return on investment of 3.38:1 or $239 million. In 2017, PFP started a specific funding allocation for legacies investment funds. The investments in this area mature over a longer period of time and are not included in activities that are expected to generate a return on investments of 3:1.

Management costs

25. Management costs are made up of those costs related to the PFP Director's Office and the strategic planning function (Director's Office) of $1.8 million; PFP finance and operations costs of $13 million ($5 million as well as an allocation to UNICEF common services of $8 million). The total management costs were $14.8 million compared to budgeted costs of $15.9 million, showing an unutilized amount of $1.1 million (7 per cent) and $1 million more than the 2016 expenses of $13.8 million. The lower budget utilization in management costs related to savings from vacant posts and revised costing of the planned posts allocation.

Development effectiveness costs

26. Development effectiveness costs consist of the expenses related to the National Committee relations function, which is responsible for managing the strategic relationship between UNICEF and its National Committees. The actual expenditure in 2017 of $3.4 million was $0.4 million (12 per cent) below the revised budget and $0.2 million (5 per cent) higher than the costs incurred in 2016. This underspending of the budget was due to savings in post-related costs.

Country office direct fundraising costs

27. The country office direct fundraising costs of $33.1 million in 2017 presented a positive variance of $10.2 million (24 per cent) compared with a budget of $43.3 million, and $5.3 million (18 per cent) more than the costs for 2016.

28. The country office direct fundraising budgeted expenditures are estimated against revenue targets and ceilings rather than fixed budgets, and represent the maximum level permitted by PFP guidelines. The country office direct fundraising costs are raised and expended against approved ceilings; thus, lower than expected budget utilization does not result in returned savings to the organization. Additionally, country offices should use up to 25 per cent of the gross private sector contributions raised in-country in any calendar year to cover fundraising expenses.

29. Taking into account that Gulf Area fundraising activities are financed directly from the PFP budget, the country office direct fundraising costs of $33.1 million represent a 21 per cent re-investment rate in fundraising in 2017, which is within the 25 per cent cost/revenue ratio prescribed in the approved guidance.

Private sector engagement and advocacy

30. The second pillar of the Private Fundraising and Partnerships Plan, 2014–2017 was to expand strategic engagement with the private sector and to advance children's rights through advocacy across all sectors of society. All National Committees engaged in policy advocacy, with significant growth in capacity. There was growing success in child rights education, reaching 2.98 million children and young people. By the end of 2017, the Child Friendly Cities Initiative was reaching an estimated 30 million children in almost 40 countries (more than 1,100 child-friendly cities and municipalities), and in that year alone, more than 10 million children were reached by work with businesses addressing business impact on children and families. Additionally, in 2017, 15 National Committees and 34 country offices were engaging business partners on their impact on children's rights. At the same time, hundreds of companies mainstreamed impact on children into their business objectives, supply chains, market development and advertising.

31. Multi-stakeholder platforms such as the World Economic Forum created new opportunities to promote child rights advocacy and for strategic engagement with key businesses. In policy dialogue with the Fédération Internationale de Football Association (FIFA) and the organizing committee of the Olympic Games Tokyo 2020, UNICEF ensured that children's rights are central to the bidding and hosting of the 2026 FIFA World Cup and

the 2020 Olympic Games. Partnerships with the LEGO Foundation and the LEGO Group and other global businesses saw companies review their impact on children and put in place measures for improvement, potentially affecting millions of children.

32. In 2017, three country offices included the impact of businesses on children in their situation analyses. Governments and businesses across sectors, ranging from garment manufacturing and extractives to mobile operators, completed assessments, some taking a comprehensive look at operations, others focusing on issues such as child online safety or violence prevention. A study by UNICEF Mexico on children and the hotel industry was selected as one of the best pieces of UNICEF research during 2017, and the report stimulated policy discussion with the Government.

33. During the year, 59 companies introduced practical measures to address their impact on children. GSMA and UNICEF convened stakeholders to address child online protection in Malaysia. The LEGO Foundation and LEGO Group rolled out company-wide e-learning on child safeguarding and child digital safety. Barrick Gold Corporation worked with the Canadian Committee for UNICEF and the Government of Canada to develop a child rights and security checklist. Similar initiatives are being developed with Google, Microsoft and Tencent.

34. The impact of global supply chains and marketing and advertising on children were major themes. The Bangladesh, Colombia, Cote d'Ivoire, India, Indonesia, Mexico, Sri Lanka and Viet Nam country offices implemented research, advocacy with Government and businesses, or workplace programming, reaching hundreds of thousands of parents and children. Among others, UNICEF and the Norwegian Committee for UNICEF partnered with NBIM, the world's largest sovereign wealth fund with investments in more than 9,000 companies, to develop a garment sector child rights network. The Hong Kong and Japan Committees for UNICEF engaged with businesses on breastfeeding practices and child online protection, respectively. Seven major palm oil buyers promoted the integration of child rights into palm oil sourcing, and UNICEF India convened industry and the Government to review the Plantation Labour Act on outcomes for children in the tea sector (more than 100 tea gardens worked with UNICEF and local government to address workplace practices supporting children).

35. During 2017, PFP collaborated with the Office of Innovation to mainstream innovation partnerships with the private sector, tapping into businesses' core assets such as expertise, data, networks, digital products and channels, and new technologies. At the global level, the Office of Innovation engaged with National Committees and PFP on approximately 31 partnerships that leveraged business core assets. The most significant development was the number of companies engaged in providing data, or data science, or both, software and design expertise to the organization's innovative data initiatives.

36. At the national level, UNICEF is partnering with businesses to reach the most disadvantaged communities, providing them with access to services and giving them a voice. In the United Republic of Tanzania, UNICEF is working with Tigo Tanzania (the largest mobile operator) and the Government on scaling up birth registration and health services. Through support from Tigo, the births of 1.5 million children have been registered, and birth registration has increased from 13 per cent to 90 per cent in six of the most disadvantaged regions. The company's support included 5 million free text messages, access to high-speed Internet in 30 district offices, dedicated staff time, access to infrastructure for testing and piloting the system, and social mobilization via radio and television.

37. The Division continued to support National Committees' advocacy on priority issues, and provided advocacy leadership on the Cause Framework campaigns: Children Uprooted; Early Moments Matter; End Violence; and Child Survival. National Committees included in the response to the migrant and refugee crisis in Europe successfully led advocacy efforts, leading to changes to relevant legislation in Italy and Slovenia, government decisions in

France and the United Kingdom of Great Britain and Northern Ireland, and the promotion of standards for the protection of migrant children in Germany. Some examples of policy change brought about by successful advocacy by National Committees include the following:

(a) In Italy, the Parliament passed a law on unaccompanied children (the Zampa law), guaranteeing them the same rights as all other children.

(b) National Committees successfully placed child poverty on the agenda of their respective governments. The Government of Slovenia created a high-level Council for Children and Families, and the new Government of New Zealand is focused on fighting child poverty, following a National Committee campaign during the 2017 elections.

38. National Committees – including in Austria, Canada, Hong Kong and Japan – recorded significant numbers of targeted influencers echoing advocacy messaging by UNICEF on priority issues. Almost 3 million children and young people were reached through child rights education initiatives in 2017, and at least 217,000 children across 18 National Committees were involved in World Children's Day, 20 November 2017, promoting children's rights in their countries and around the world.

39. Strategic engagement with platforms and initiatives involving businesses advanced the UNICEF advocacy agenda. The UNICEF Executive Director spoke at private sector-related events during the United Nations General Assembly and the World Economic Forum.

Basis of preparation of the Private Fundraising and Partnerships financial report

40. All revenue and expense figures in this report are presented in compliance with UNICEF policies, procedures and guidance.

41. The policy for recognizing revenue from voluntary contributions was revised during 2017. Under the previous policy, UNICEF recognized revenue based on payment plan dates included in the donor agreements, which served as a proxy for identifying the period in which programmatic activities were being carried out and conditions met. Under the new policy, revenue is recognized in full, including for multi-year contributions, at the time the agreement is signed, as all earmarked agreements are taken to have stipulations and restrictions rather than conditions.

II. Draft decision

The Executive Board

Takes note of the Private Fundraising and Partnerships: financial report for the year ended 31 December 2017.

Table 3
Revenue and expenses

(in millions of United States dollars)

	2017 actual			2017 revised budget			2016 actual			Variance			
										2017 actual vs 2017 approved		2017 actual vs 2016 actual	
	RR	OR	Total	RR	OR	Total	RR	OR	Total	Amount	%	Amount	%
Private sector revenue													
Revenue from greeting cards and products	7.7		7.7	8.9		8.9	5.0		5.0	-1.2	-13.3%	2.7	54.6%
Private sector fundraising contributions	654.8	802.8	1 457.6	656.1	820.0	1 476.1	618.2	708.9	1 327.1	-18.5	-1.3%	130.5	9.8%
Total private sector revenue	**662.5**	**802.8**	**1 465.3**	**665.0**	**820.0**	**1 485.0**	**623.2**	**708.9**	**1 332.1**	**-19.7**	**-1.3%**	**133.2**	**10.0%**
Private Fundraising and Partnerships (PFP) expenses													
A. Development effectiveness costs:	**3.4**		**3.4**	**3.8**		**3.8**	**3.2**		**3.2**	**-0.4**	**-11.6%**	**0.2**	**5.3%**
National Committee Relations	3.4		3.4	3.8		3.8	3.2		3.2	-0.4	-11.6%	0.2	5.3%
B. Management costs:	**14.8**		**14.8**	**15.9**		**15.9**	**13.8**		**13.8**	**-1.1**	**-6.9%**	**1.0**	**7.3%**
Director's Office and Strategic Planning	1.8		1.8	1.3		1.3	1.6		1.6	0.5	37.1%	0.3	18.3%
Finance and Operations	13.0		13.0	14.6		14.6	12.3		12.3	-1.6	-10.9%	0.7	5.9%
C. Special purpose costs:	**122.8**	**33.3**	**156.1**	**128.2**	**45.3**	**173.5**	**105.9**	**28.6**	**134.5**	**-17.4**	**-10.0%**	**21.6**	**16.1%**
Fundraising	20.1		20.1	25.6		25.6	22.8		22.8	-5.6	-21.7%	-2.7	-11.8%
Country Office Support	4.7		4.7	5.3		5.3	4.3		4.3	-0.6	-11.8%	0.4	8.8%
Country Office Direct Fundraising Costs	1.4	33.1	34.5	3.1	43.3	46.4	1.3	27.9	29.2	-11.9	-25.7%	5.3	18.0%
Marketing and Communication	7.1		7.1	7.8		7.8	7.4		7.4	-0.7	-8.8%	-0.3	-3.9%
Procurement	1.2		1.2	1.2		1.2	0.8		0.8	0.0	-1.5%	0.3	38.3%
Private Sector Engagement	5.3	0.2	5.5	5.1	2.0	7.1	5.0	0.7	5.7	-1.6	-22.5%	-0.2	-3.3%
Investment funds	83.0		83.0	80.0		80.0	64.3		64.3	3.0	3.8%	18.8	29.2%
Total PFP expenses	**141.0**	**33.3**	**174.3**	**147.9**	**45.3**	**193.2**	**122.9**	**28.6**	**151.5**	**-18.9**	**-9.8%**	**22.8**	**15.0%**
Licensing/Sales expenses of National Committees	0.3		0.3	0.7		0.7	0.2		0.2	-0.4	-53.0%	0.1	56.9%
Impairment	3.1	2.3	5.4				0.3	1.9	2.1	5.4	0.0%	3.2	152.5%
PFP foreign exchange losses (gains)	(8.4)	0.1	(8.3)	–		–	(4.6)	(0.1)	(4.7)	-8.3	0.0%	-3.6	77.0%
Net private sector surplus	**526.5**	**767.1**	**1 293.6**	**516.4**	**774.7**	**1 291.1**	**504.4**	**678.5**	**1 182.9**	**2.5**	**0.2%**	**110.7**	**9.4%**

RR - Regular resources
OR - Other resources